

Size Distribution Of Personal Income, 1957-60

Role of Capital Gains, Earnings, and Supplementary Incomes

AVERAGE family personal income was estimated at \$6,900 in 1960, a gain of \$285 over the previous year. The increase of about 4 percent over 1959 was only slightly less than that registered in 1959 over 1958 when incomes moved up strongly after the cyclical contraction of that year. With the increase in average income, consumer units moved to higher income brackets over the entire range of incomes for which detailed estimates are available. The change in average income reflected an increase in both the total income flow and in the number of consumer units. Total income increased from about \$365½ billion in 1959 to \$385½ billion in 1960. Reflecting further increases in population and family formation, the number of consumer units increased by about 0.6 million over the same period and reached a total of 55.9 million. The additional units were composed of approximately 0.7 million families of two or more persons, an increase which was partially offset by a small decline in the number of unattached individuals.

The modal, or most frequent, income was estimated at \$4,820, an upward shift of about \$280 since 1959. The median income—the middle income of the distribution with the same number of units below and above the income point—was estimated at \$5,600, an increase of \$240 over the previous year.

Real income continues to rise

Allowing for a moderate price increase real income per family increased by 2.4 percent over 1959. This gain,

This article brings up to date the estimates of the distribution of families and unattached individuals by size of family personal income which were published in the April 1960 issue of the *SURVEY OF CURRENT BUSINESS*. Revised estimates of the distributions formerly published for 1957 and 1958 are included as well as preliminary estimates for 1959 and 1960. In addition, the real income series has been extended to include distributions for 1929 and 1941. A detailed account of definitions and estimating procedures can be found in the Technical Note to the article on income size distribution which appeared in the April 1958 issue of the *SURVEY* and to the supplement to the *SURVEY* which initiated the OBE series entitled "Income Distribution in the United States, 1944-50" (U.S. Government Printing Office, Washington 25, D.C., 1953, price 65 cents). For a detailed discussion of postwar and prewar changes in income distribution, the reader is referred to *U.S. Income and Output* (U.S. Government Printing Office, Washington 25, D.C., 1958, price \$1.50).

though somewhat smaller than the 1958-59 increase, was well above the average annual rate of 1.3 percent in evidence since 1947.

Table 8 presents distributions corrected for price change by converting all the arrays to 1960 dollars. The adjustment is to be regarded as approximate since the implicit price deflator for personal consumption expenditures (1960=100) was used to adjust income uniformly at all levels. Because of the relatively higher prices in 1960 the net result of the adjustment is to show smaller shifts up the income scale than those found in the current dollar distributions.

For purposes of comparison the prewar distributions of income for the years 1929 and 1941 are included. A similar correction has been made so that they also reflect 1960 prices. The distributions included, however, are introduced only for rough comparison purposes and are not to be regarded as an extension of the official OBE series on size distributions. (See Technical Note.)

Since 1929 there has occurred a longterm upsweep in real income. Average real income per consumer unit moved from \$4,190 in the earlier year to \$6,900 in 1960, an increase of about 65 percent. For the Nation's consumer units this brought a marked upward shift along the income scale. The movement to higher income levels can be seen graphically in the accompanying chart which plots the percent of both units and income above specified income points for the years 1929 and 1960.

In order to use a convenient scale the curves are made to terminate at an income of \$15,000 above which only 6 percent of the units and 22 percent of the income were classified in 1960.

The chart shows marked upward movement along the entire income scale. Of particular interest are the percentages registered above the incomes in the middle range. Thus, in 1960 fully 57 percent of units were classified at real incomes above \$5,000 compared with 20 percent in 1929. Also of interest is the improvement noted for the higher incomes where 17 percent of the units above \$10,000 is to be compared with 5 percent in the 1929 distribution.

Income dispersion in business contraction

The discussion up to now has been concerned with changes in absolute size of family income whether in terms of current or constant dollars. It is also of interest to examine to what extent the distribution has moved toward greater or lesser income dis-

person. Historically, it has been noted that during the period preceding World War II incomes became somewhat more equally distributed while the postwar period was characterized by a marked stability in the underlying relative distribution.

From this point of view, the decline in business activity and income which occurred in 1958 did little to disrupt this pattern of stability. Final data now available for the first time for 1958, however, do suggest that a slight movement occurred in the direction of a somewhat wider dispersion of income.

A similar movement occurred in the 1953-54 downturn

In order to abstract from changes in absolute income, it is convenient to divide the distribution into several segments each of which contain the same number of units and to compute the percent of total income received by each group. The results of such a division into "quintiles" can be found in table 14 which presents data for each fifth of the consumer units as well as the upper 5 percent of the distribution. With such arrays it is easy to examine changes in relative distribution by noting the percent of total income received by the various segments between any two years.

The table shows decreases in the proportion of total income received by the lowest three-fifths of consumer units between 1957 and 1958 while the upper two-fifths enjoyed increases in their share of total income. The relative gains in the highest fifth, however, do not appear to have been uniform since a slight decline was noted for the highest 5 percent of the distribution.

The direction of change in relative distribution appears consistent with the various economic movements in evidence during 1958. Although many factors were operative, such as the near maintenance of dividend payments at high levels despite the dip in business activity, it is apparent that significant effects were due to movements within the wage and salary distribution itself. The year was characterized by increased unemployment. At the same time, a shorter workweek was registered by employed workers,

and the number of full- and part-time employees dropped by about 1.5 millions from 1957 to 1958. These recessionary effects caused a downward shift of many wage and salary units.

Along with these declines, an upward movement occurred in average wage and salary incomes for employed workers, and an increase in the number of professional and managerial workers—changes resulting in upward shifts along the income scale for many wage and salary workers.

The net effect of these diverse

movements among wage and salary earners was an increase in the dispersion of incomes from this source. An examination of the relative distribution of wage and salary income arrayed by size of such income reveals that the lowest fifth actually experienced declines in relative share. Similar movements were not in evidence for earnings from business.

The basic data available for 1959 and 1960 are incomplete and do not permit adequate evaluation of changes in relative distribution in those years.

Distributional Effects of Capital Gains and Losses

CAPITAL gains and losses—both realized and unrealized—play an important role in the dynamics of economic progress through their influence on both investor and consumer decisions. This report does not deal with this broad and important subject but is confined to an examination of the influence of capital gains and losses on the distribution of

incomes. With statistical measurement necessarily restricted to realized capital gains and losses, the amounts involved—about 2½ percent of family personal income—are not sufficiently large to change the distribution radically. As will be seen below, however, there is a noticeable effect especially at the high income levels.

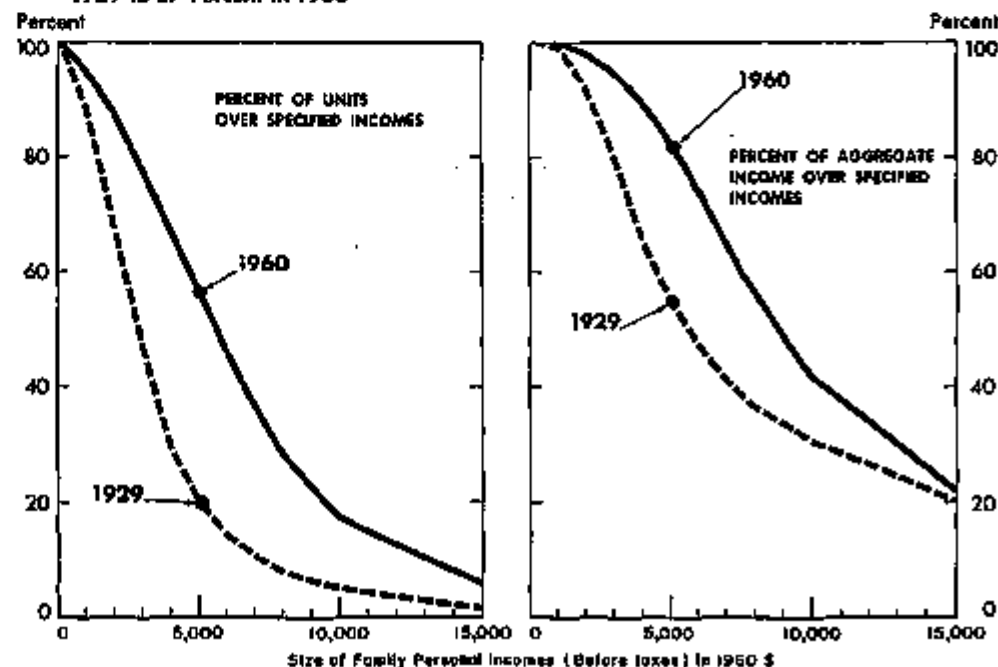
INCOMES OF FAMILY AND INDIVIDUAL UNITS

Marked Shift to Higher Levels of Real Income From 1929 to 1960

As an Example of This Shift—

Units With Real Incomes Above \$5,000 Rose From 20 Percent in 1929 to 57 Percent in 1960

Their Share of Total Income Rose From 55 Percent to 82 Percent



Treatment of capital gains in personal income

The concept of income which underlies the present size distributions is only one of several alternatives for ranking consumer units—an alternative selected for its consistency with the personal income series in the national accounts. As such, it does not include capital gains and losses which are considered items which do not arise in production. From some points of view, however, receipts from such sources may be meaningfully included in the size distributions of income.

Reasons for their inclusion can be found in the fact that consumer units—whether acting in their capacities as consumers or investors—seldom clearly distinguish between receipts from those sources or from others which are obtained from their participation in production or in their role as recipients of transfer payments. From this point of view, capital gains and losses enter actively into economic decisions regarding the disposition of income.

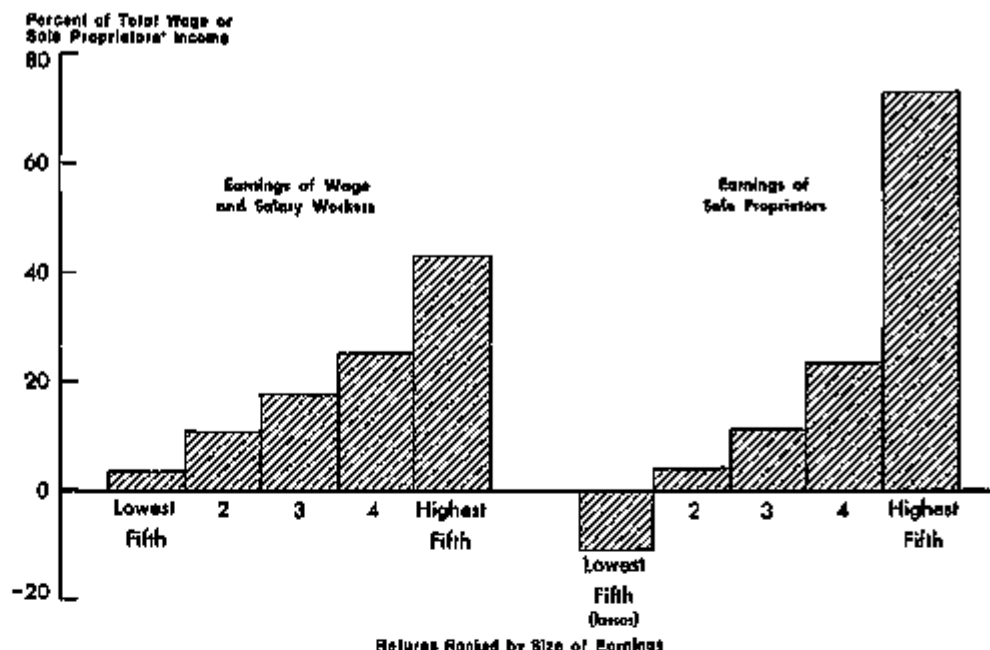
Another reason which can be offered for their inclusion is the fact that, in some instances, the distinction between capital gains and losses and other income sources is itself obscure—for example, the use of stock options in lieu of compensation and the realization of persons' accumulated equities in corporations through capital gains. In any case, it is interesting to investigate the distributional effects of including capital gains and losses in the size distributions of income.

Such an investigation could take various forms depending upon the gains and losses to be included. The present investigation will be confined exclusively to realized gains and losses as reported to the Internal Revenue Service. In general, they are comprised of gains and losses obtained through the sale of capital assets which include stocks, securities, and exclude assets held for sale in ordinary course of business. The IRS data provide a reliable source and the means whereby gains and losses can be incorporated into the distribution. (See technical note.)

Realized capital gains large in 1958

The amount of capital gains and losses realized in any given period is

Business Earnings Are More Widely Dispersed Than Wages and Salaries*



* Based on IRS returns for 1958

U. S. Department of Commerce, Office of Business Economics

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dependant upon many factors the most important of which are the volume of capital transactions, the price movements of the assets involved, and the length of time the assets are held. The volume of capital transactions is characteristically large. One component of such transactions, the sales of stocks listed on the exchanges, illustrates the magnitudes involved. During 1960, for example, the average monthly sale of such stocks amounted to approximately 116 million shares and involved holdings of about \$3.8 billion. During the post-war period this large volume of sales has been associated with generally rising prices which provided both the opportunity and incentive for profit taking. Data on the length of time the assets were held are not available, but it is apparent that a wide spectrum of purchase dates underlie the sales of securities during any period and are instrumental in determining the amounts of gains realized.

According to the *Statistics of Income for 1958*—the latest year for which complete data are available—approximately 3½ million returns reported net gains from the sale of capital assets. For these returns, a total of almost \$5 billion of gain were included in adjusted gross income. (For 1959, preliminary

data reveal approximately 4 million returns and \$7 billion in gains.) Since for tax purposes, only 50 percent of long-term gains need be included in adjusted gross income, actual realized gains are much larger. In 1958, returns reporting gains accounted for about \$9½ billions prior to the 50 percent exclusion.

For the same year almost 1 million returns reported net losses of approximately \$1 billion prior to statutory limitation. Since each taxpayer is

Table 1.—Distribution of Consumer Units Excluding and Including Capital Gains and Losses, 1958

Family personal income—excluding and including gains and losses	Consumer units			
	Excluding gains and losses		Including gains and losses	
	Number	Percent	Number	Percent
Under \$2,000.....	7,912	14.6	7,767	14.2
\$2,000-\$2,999.....	8,167	16.4	8,134	16.1
\$3,000-\$3,999.....	8,416	11.7	8,181	11.3
\$4,000-\$4,999.....	8,756	12.4	8,826	12.8
\$5,000-\$5,999.....	8,956	12.9	8,780	13.8
\$6,000-\$6,999.....	7,151	13.6	7,422	13.1
\$7,000-\$7,999.....	6,976	12.8	7,103	13.1
\$10,000-\$14,999.....	4,856	8.9	5,056	9.3
\$15,000-\$19,999.....	1,877	2.5	1,861	2.7
\$20,000-\$24,999.....	608	.8	576	1.0
\$25,000-\$49,999.....	338	1.1	317	1.1
\$50,000 and over.....	141	.2	105	.3
Total.....	51,639	100.0	51,620	100.0

Source: U. S. Department of Commerce, Office of Business Economics.

required to net losses against gains, gross gains from the sale of capital assets were, of course, even larger.

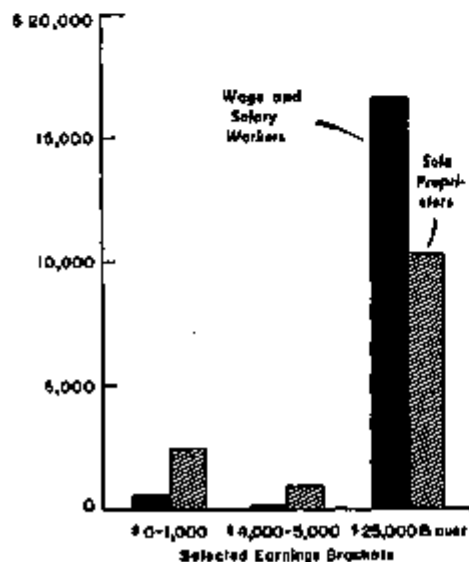
Percentage of units with such gains rises with income

Although the number of returns reporting capital gains constitute less than 6 percent of all returns, there are marked differences in the proportion of such returns at the various income levels. In the adjusted gross income class \$0-\$1,000, for example, only about 2½ percent of all returns in that class reported capital gains. In the class \$10,000-\$15,000 the percentage is over 18. At higher levels, the proportion rises markedly; in the million and over class the percentage is about 80.

Since at the lower levels capital gains, when they do occur, are characteristically small, they contribute little to the total incomes. In the class \$0-\$1,000, for example, about 2 percent of total income is attributed to statutory gains. The percentage declines slightly further up the income scale and actually reaches a low at about \$6,000 of adjusted gross income where relatively large proportions of units and incomes are concentrated. Above this point the percentage again rises

DIVIDENDS, INTEREST, RENTS, AND OTHER INCOMES* SUPPLEMENTARY TO EARNINGS
Important at Both High and Low Income Ranges

Average Supplementary Income



*Equal to the sum of income from all sources included in adjusted gross income other than salaries and wages based on 1958 returns for 1958.

U. S. Department of Commerce, Office of Business Economics

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attaining a figure of about 1½ percent in the \$10,000-\$15,000 interval and continues to rise to almost 42 percent of adjusted gross income in the million and over class. This high percentage is achieved despite the inclusion of only 50 percent of long-term gains. Thus, at the upper extreme of the income distribution capital gains become dominant and are often, indeed, a primary reason for classification at such high levels of income. Since the proportion of total income at such high levels is relatively small, however, statutory gains and losses account for less than 2 percent of total adjusted gross income for the distribution as a whole.

The average adjusted gross income computed for returns reporting capital gains was approximately \$9,700 compared with a figure of \$4,800 for all returns. It is true, of course, that capital gains constitute one component in adjusted gross income and hence can be expected to be associated on the average with higher total incomes. But even when allowance is made for this fact by subtracting the average capital gain of \$1,400 from adjusted gross income, the remaining average is approximately \$8,300, still substantially above the income of all returns from all sources. Such an association between capital gains and high incomes exclusive of such gains is to be expected, of course, since asset holdings and their disposition are related to the receipt of income. The high incomes permit saving and the purchase of securities which further augment incomes by giving rise to property income.

Wide dispersion of capital gains

The distribution of capital gains ranked by size of gain is very widely dispersed. One measure of income spread, the coefficient of variation yielded a value of over six, revealing that in order to include approximately two-thirds of the returns one must encompass a range of about 12 times the average size gain. This is to be compared with coefficients for returns reporting positive business incomes (nonpartnerships) and for wage and salary returns at about 1½ and 1, respectively.

Additional evidence of the wide dispersion of gains from the sale of capital assets is the relatively large percent of returns at high incomes from this source when the returns are ranked by size of gain. Above \$25,000, for example, a larger percentage of capital gain returns is found than in the wage income distribution ranked by size of wages, and above \$50,000 the units ranked by such gains constitute a larger percentage than even the fairly widely dispersed business income distribution.

Significant impact on income

In order to examine the effect of including realized gains and losses in

Table 2.—Percent of Aggregate Income by Quintiles (Fifths) and Top 5 Percent, for Consumer Units Excluding and Including Capital Gains and Losses, 1950

Fifths of consumer units	Percent of total income	
	Excluding capital gains and losses	Including capital gains and losses
Lowest.....	4.0	4.0
2.....	10.9	10.8
3.....	16.3	16.1
4.....	22.7	22.0
Highest.....	45.6	40.0
Total.....	100.0	100.0
Top 5 percent.....	19.0	20.3

Source: U. S. Department of Commerce, Office of Business Economics.

the family personal income distributions, these items were incorporated in the estimates for 1958. The results—which are to be regarded as only approximate—are given in table 1. For purposes of comparison, the family personal income distribution exclusive of gains and losses is presented for the same income classes.

The table shows clearly the upward shift of units to higher income levels. Approximately 0.5 million units formerly classified at income levels below \$5,000 moved to higher levels. Above \$25,000 the number of units increased by about 53,000 or about 7 percent more than were classified at those levels before introducing capital items. The nature of the approximations used in deriving the distributions inclusive of capital gains and losses does not permit detailed breakdowns at extremely high incomes, but it is apparent from the analysis of the tax data that a sub-

stantial augmentation of returns would result.

The effect on the relative distribution of income can be appraised by examination of table 2 which shows consumer units arrayed in quintiles and gives the proportion of total income in each segment. The middle quintiles (fifths) show decreases in relative importance while the lowest segment maintained its position. As expected, because of the extremely wide dispersion in the capital gains distribution and the presence of a marked increase in both average gain and the percent of units having such

sources at the higher income levels, the highest quintile showed a significant increase. For the upper 5 percent of the distribution the percent of aggregate income increased from 19.9 percent to 20.3 percent. The constancy of the share for the lowest fifth after the inclusion of capital gains and losses is probably due to the fact, previously noted, that such receipts are of some importance at the lowest income levels. In some instances, the gains are associated with business and other losses which are partially offset when gains are included.

Earnings Distributions and Related Incomes

MUCH of the interest in income size distributions centers on the basic differences among component distributions and the manner in which the various income sources combine to determine the overall distribution of income.

Two component distributions of particular interest are those of wage and business incomes. In comparing the two, essential differences between them should be noted. The bulk of wage and salary incomes can be attributed to the labor performed by the recipients. In contrast, business earnings are mixed incomes reflecting returns to capital and entrepreneurship as well as to labor performed by the proprietor. Although

Table 3.—Percent of Wage and Salary and Business Returns by Size of Earnings and by Adjusted Gross Income, 1950

Earnings or adjusted gross income brackets	Percent of wage and salary returns		Percent of business returns ¹	
	By size of earnings	By size of adjusted gross income	By size of earnings	By size of adjusted gross income
Under \$1000.....	13.3	11.3	43.7	18.3
\$1000-\$1,999.....	12.3	11.9	17.8	17.1
\$2000-\$2,999.....	12.3	12.3	11.8	13.0
\$3000-\$3,999.....	12.2	13.0	7.8	11.5
\$4000-\$4,999.....	12.1	13.2	5.5	9.5
\$5000-\$9,999.....	31.5	32.5	9.1	20.8
\$10,000-\$24,999.....	4.5	5.5	3.2	8.1
\$25,000-\$49,999.....	.3	.4	.7	1.4
\$50,000 and over.....	(2)	.1	.1	.3
Total.....	100.0	100.0	100.0	100.0
Mean income.....	\$4,480	\$4,120	\$2,470	\$4,700

¹ Partnership returns not included.

² Less than 0.05 percent.

Sources: Internal Revenue Service and U.S. Department of Commerce, Office of Business Economics.

Table 4.—Percent of Total Earnings and of Total Adjusted Gross Income by Quintiles (Fifths) and Top 5 Percent, 1950

Quintiles and upper 5%	Percent income			
	Wage and salary returns		Business income returns ¹	
	By size of wage and salary income	By size of adjusted gross income	By size of business income	By size of adjusted gross income
Lowest.....	8.4	8.6	-11.0	0.1
2.....	10.5	10.7	3.9	7.1
3.....	17.6	17.2	11.0	13.2
4.....	25.1	24.4	22.4	21.7
Highest.....	48.2	44.1	72.7	57.0
Total.....	100.0	100.0	100.0	100.0
Top 5 percent.....	16.0	18.1	37.7	28.9

¹ Partnership returns not included.

Source: U.S. Department of Commerce, Office of Business Economics.

basic difference between the tax return and consumer unit, as well as the absence of some income sources which are included in the family personal income concept, serves to qualify the results obtained, but the analysis is of value in providing at least partial information on the component distributions and the degree to which their incomes are augmented. From this point of view, it is equally important to note that the IRS distributions contain a very large number of joint returns which implies that some degree of combination into family units has been achieved.

Earning distributions markedly different

With these qualifications in mind, we can examine in some detail data in

Table 5.—Average Income From Sources Other Than Earnings for Wage and Salary and Business Returns, 1950

Level of specified earnings source	Average income other than earnings	
	Wage and salary returns	Business returns ¹
0-\$999.....	\$570	\$2,470
\$1,000-\$1,999.....	330	1,480
\$2,000-\$2,999.....	230	1,250
\$3,000-\$3,999.....	200	870
\$4,000-\$4,999.....	180	590
\$5,000-\$9,999.....	1,100	2,040
\$10,000-\$24,999.....	1,100	2,290
\$25,000 and over.....	18,000	10,350
All returns.....	310	1,870

¹ For business returns (nonpartnerships) with positive business income only. The previous table includes, in addition, business returns reporting business losses.

Source: U.S. Department of Commerce, Office of Business Economics.

a precise separation of the labor and non-labor components of entrepreneurial income is not feasible, it is probable that a large proportion of business incomes represents a return on the labor performed by the entrepreneur.

The two earnings distributions—so designated because of the direct participation of the recipient in production either as an employee or entrepreneur—differ markedly in average income, in income dispersion, and in the degree to which the earnings combine with incomes from other sources such as dividends, interest, and other forms of property income and, in some instances, with the alternative earnings source. The combination of a given type of earnings with incomes from other sources can either blur or accentuate the differences between the initial earnings distributions depending upon the magnitudes involved, the characteristics of the distributions of the additional incomes, and the manner in which they combine.

It is not possible, given present data limitations, to explore these problems fully. It is feasible, however, to undertake a brief analysis based on income tax data which permit, at least, partial examination of the two earnings distributions and their combination with other incomes.

It should be noted that the inquiry is limited to the tax return unit and to income reported for tax purposes. The

Table 9.—Distribution of Consumer Units and Their Family Personal Income by Family Personal Income Level, Selected Years, 1944-59

Family personal income (before income taxes)	Number of families and unattached individuals (thousands)												Aggregate family personal income (millions of dollars)											
	1944	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1944	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955		
Under \$1,000.....	4,332	8,826	3,748	3,801	3,283	2,050	3,071	18,241	7,713	7,041	7,613	7,022	2,390	2,017	1,073	1,943	1,088	1,018	1,571	9,320	8,088	8,484	8,970	8,012
\$1,000-\$1,999.....	9,108	7,026	7,370	7,404	5,987	5,554	6,889	6,241	6,307	5,374	6,087	11,238	11,870	11,231	11,353	8,027	8,426	8,804	9,320	8,088	8,484	8,970	8,012	
\$2,000-\$2,999.....	5,703	8,701	8,959	8,091	6,541	5,304	6,207	5,917	6,307	5,374	6,087	3,431	21,023	22,007	21,176	20,273	16,411	16,008	16,345	14,871	12,553	13,483	14,296	13,021
\$3,000-\$3,999.....	7,722	8,000	8,028	8,096	7,030	7,001	7,291	7,339	6,798	6,490	6,415	6,949	20,090	20,000	20,045	20,963	20,702	24,817	25,013	23,879	22,758	22,458	21,212	
\$4,000-\$4,999.....	4,433	5,304	5,723	7,054	7,531	7,117	7,118	7,328	7,401	6,908	6,755	6,310	20,201	23,950	25,383	31,533	34,300	32,057	33,056	33,091	30,023	30,404	23,413	
\$5,000-\$5,999.....	2,515	3,005	3,474	4,001	4,072	4,133	4,039	4,321	6,241	6,201	6,086	0,100	13,739	16,725	18,057	23,803	33,300	33,702	33,033	34,043	35,208	33,060	32,028	
\$6,000-\$6,999.....	2,259	2,547	3,151	3,390	5,904	6,379	0,284	5,925	7,202	7,552	7,451	7,528	14,942	16,933	20,813	25,578	38,750	42,011	41,047	46,311	48,163	50,472	40,840	
\$7,000-\$7,999.....	1,284	1,781	2,170	2,735	4,121	4,705	4,734	4,203	0,116	0,770	6,973	7,042	11,802	14,905	18,454	23,346	34,000	40,707	40,338	44,408	52,484	58,182	60,034	
\$10,000-\$14,999.....	707	1,070	1,198	1,586	2,041	2,396	2,001	3,068	3,794	4,212	4,343	5,005	8,483	12,784	14,300	18,310	24,212	31,301	31,868	30,015	43,063	61,893	58,124	
\$15,000-\$19,999.....	246	332	354	414	598	734	746	853	1,112	1,280	1,377	2,308	3,105	3,700	4,526	5,086	6,021	6,621	8,382	9,017	11,000	11,204	67,327	
\$20,000-\$24,999.....	108	149	167	218	310	308	313	378	433	406	409	3,000	4,651	6,308	6,879	0,743	12,633	12,793	13,294	15,140	17,242	18,983	19,583	
\$25,000-\$29,999.....	40	64	58	84	100	98	104	113	135	147	141	2,007	4,837	4,003	7,000	8,673	8,000	9,276	10,313	11,546	12,638	12,119	70,514	
\$30,000 and over.....	40	64	58	84	100	98	104	113	135	147	141	2,007	4,837	4,003	7,000	8,673	8,000	9,276	10,313	11,546	12,638	12,119	70,514	
Total.....	40,889	63,330	64,740	48,800	50,330	50,610	51,160	62,170	62,800	63,650	64,020	65,300	147,731	178,705	184,608	217,232	267,162	272,190	273,856	294,230	317,448	334,647	343,236	
Average (mean) family personal income.....	\$8,014	\$3,840	\$4,128	\$4,444	\$5,122	\$5,380	\$5,800	\$6,040	\$6,007	\$6,238	\$6,283	\$6,014	\$3,840	\$4,128	\$4,444	\$5,122	\$5,380	\$5,800	\$6,040	\$6,007	\$6,238	\$6,283	\$6,014	

Percent distribution																							
Under \$1,000.....	10.7	8.8	6.4	7.9	6.6	5.9	6.0	16.8	14.6	14.2	14.5	13.8	1.6	1.2	1.1	0.9	0.7	0.9	0.9	3.2	2.7	2.6	2.4
\$1,000-\$1,999.....	19.8	17.6	10.5	15.3	11.3	11.0	11.5	10.2	10.0	10.4	9.8	14.9	14.9	12.9	11.5	9.8	8.2	8.1	8.3	5.1	4.3	4.0	3.7
\$2,000-\$2,999.....	21.4	23.3	18.9	16.4	13.0	12.4	12.7	11.3	10.2	10.1	11.7	11.0	14.9	12.9	11.5	9.8	8.2	8.1	8.3	5.1	4.3	4.0	3.7
\$3,000-\$3,999.....	18.9	18.8	10.3	17.6	15.2	14.9	14.3	14.1	12.0	12.1	11.7	11.0	13.2	17.6	16.3	13.6	10.4	9.1	9.4	8.8	7.5	6.8	6.6
\$4,000-\$4,999.....	11.1	12.4	12.8	14.4	15.2	14.7	13.0	14.0	14.8	12.7	12.4	11.4	13.7	16.0	18.3	14.3	13.9	11.8	11.7	11.2	10.5	9.1	7.8
\$5,000-\$5,999.....	6.2	7.1	7.6	9.6	12.1	12.2	11.6	12.1	11.8	11.6	10.0	11.0	0.8	0.8	10.2	11.8	12.9	12.4	12.1	11.8	10.6	10.1	9.5
\$6,000-\$6,999.....	5.4	5.0	7.0	7.8	11.0	12.6	12.3	13.3	13.6	14.1	13.0	12.6	10.1	9.9	11.8	11.6	15.1	15.0	15.3	15.2	15.1	14.4	13.8
\$7,000-\$7,999.....	3.4	4.0	4.8	6.6	8.2	9.4	9.2	10.0	11.0	12.6	12.8	12.8	8.0	8.7	10.0	10.8	13.5	14.0	14.7	16.1	16.3	17.4	17.6
\$10,000-\$14,999.....	1.7	2.5	2.7	3.1	4.1	6.3	6.2	5.9	7.2	8.0	8.0	10.1	6.7	7.5	7.7	8.4	9.4	11.0	11.0	12.0	14.4	15.5	16.9
\$15,000-\$19,999.....	0.6	0.8	0.8	0.8	1.2	1.4	1.4	1.7	2.1	2.4	2.6	2.9	2.9	3.3	3.0	3.0	4.0	4.0	4.0	5.1	6.0	6.9	6.9
\$20,000-\$24,999.....	0.2	0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.9	2.0	2.2	2.7	2.3	2.0	2.6	3.0	3.3	3.3
\$25,000-\$29,999.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2.1	2.7	2.7	4.5	4.9	4.7	4.8	5.1	5.4	5.7	5.7
\$30,000 and over.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2.4	2.6	2.7	3.0	3.4	3.2	3.4	3.6	3.7	3.8	3.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

times the other income than did wage and salary earners. Partnership returns—not included in the table—revealed even higher average amounts of other income, approximately fourteen times the figure registered for wage and salary returns.

It is interesting to note that the patterns of other income in the two distributions are quite different. This can be seen from the table or in graphic form for selected classes in the accompanying chart. Both patterns show relatively high amounts in the lowest class of earnings although it is much higher for business returns. In the case of wage and salary units average additional income in the lowest class was approximately equal to that of average wage and salary income itself, while for business returns the additional income was about five times that of average earnings. It is likely that a substantial component of the larger amounts of other income for business returns at the lowest levels of earnings represents the receipt of supplementary wage income.

The average amounts of other income in both distributions decrease to a mini-

Table 10.—Distribution of Families and Their Family Personal Income by Family Personal Income Level, 1955-59

Family personal income (before income taxes)	Number of families (thousands)					Aggregate family personal income (millions of dollars)				
	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
Under \$2,000.....	3,948	3,904	3,873	3,730	3,917	4,590	4,000	4,375	4,048	4,470
\$2,000-\$2,999.....	3,808	3,816	3,779	3,553	3,916	0,030	8,448	8,201	8,008	8,253
\$3,000-\$3,999.....	6,862	6,278	4,809	4,085	4,308	20,703	18,917	17,135	16,473	15,171
\$4,000-\$4,999.....	6,561	6,539	5,827	5,084	5,178	20,000	20,491	20,278	25,040	23,369
\$5,000-\$5,999.....	5,043	5,788	5,000	6,357	5,453	32,800	31,745	31,940	29,375	20,184
\$6,000-\$6,999.....	0,704	0,535	7,238	7,078	7,087	44,843	46,353	45,327	47,377	47,140
\$7,000-\$7,999.....	5,085	6,504	6,580	6,790	7,400	43,202	51,118	50,501	58,186	63,812
\$10,000-\$14,999.....	3,002	3,714	4,217	4,748	5,482	30,130	44,720	50,701	50,801	65,877
\$15,000-\$19,999.....	894	1,089	1,204	1,348	1,348	31,805	18,083	21,479	23,033	23,369
\$20,000-\$24,999.....	307	421	483	490	2,083	8,146	9,398	10,744	11,016	74,000
\$25,000-\$29,999.....	428	495	544	590	14,000	10,641	18,273	18,837	18,837	
\$30,000 and over.....	110	128	140	154	9,000	10,901	11,933	11,373	11,373	
Total.....	42,670	43,368	43,676	44,128	44,790	368,335	399,606	396,336	311,133	332,734
Average (mean) family personal income.....						\$8,303	\$9,700	\$9,092	\$7,006	\$7,430
	Percent distribution									
Under \$2,000.....	9.3	8.4	8.2	8.5	8.1	1.8	7.0	1.5	1.5	1.3
\$2,000-\$2,999.....	8.0	7.7	7.5	8.0	7.4	3.4	2.9	2.7	2.9	2.6
\$3,000-\$3,999.....	15.7	12.2	11.1	10.0	9.0	7.7	6.4	5.0	5.3	4.6
\$4,000-\$4,999.....	15.4	15.1	13.3	12.0	11.0	11.0	10.1	8.0	8.2	7.0
\$5,000-\$5,999.....	13.8	13.4	13.0	12.1	12.2	12.1	10.9	10.2	9.4	8.0
\$6,000-\$6,999.....	13.7	10.0	10.0	10.0	15.8	16.7	16.0	16.8	16.2	14.3
\$7,000-\$7,999.....	11.9	13.7	13.1	15.3	10.5	16.1	17.0	18.5	18.7	18.2
\$10,000-\$14,999.....	7.0	8.6	9.7	10.8	12.2	13.5	15.4	16.0	18.3	19.8
\$15,000-\$19,999.....	2.0	2.6	2.8	3.1	3.0	5.5	6.4	7.1	7.4	7.0
\$20,000-\$24,999.....	0.7	1.0	1.1	1.1	1.1	3.0	2.2	3.5	3.5	2.3
\$25,000-\$29,999.....	1.0	1.1	1.2	1.3	1.3	4.1	5.7	6.0	6.0	5.7
\$30,000 and over.....	0.3	0.3	0.3	0.3	0.3	3.0	3.6	3.9	3.7	3.7
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 11.—Distribution of Unattached Individuals and Their Family Personal Income by Family Personal Income Level, 1955-59

Family personal income (before income taxes)	Number of unattached individuals (thousands)					Aggregate family personal income (millions of dollars)				
	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
Under \$2,000	4,293	4,040	4,068	4,170	4,605	4,436	4,188	4,209	4,322	4,132
\$2,000-\$2,999	2,108	2,052	2,085	2,164	2,114	5,235	5,104	5,222	5,374	5,207
\$3,000-\$3,999	1,677	1,517	1,621	1,730	1,741	5,112	5,203	5,623	5,954	6,042
\$4,000-\$4,999	707	803	880	1,074	1,141	3,413	3,830	4,247	4,761	5,074
\$5,000-\$5,999	278	465	540	508	688	2,048	2,463	2,940	3,393	3,836
\$6,000-\$6,999	221	295	321	373	468	1,468	1,772	2,145	2,467	2,887
\$7,000-\$9,999	136	101	150	216	230	1,170	1,568	1,951	1,841	2,819
\$10,000-\$14,999	50	81	93	107	123	770	918	1,121	1,293	1,461
\$15,000-\$19,999	15	22	25	29	36	321	365	436	485	545
\$20,000-\$24,999	11	11	13	12	70	242	243	202	270	2,425
\$25,000-\$49,999	10	17	20	22	70	545	581	680	745	741
\$50,000 and over	5	6	7	8	8	523	505	673	741	741
Total	9,500	9,500	9,500	10,000	10,520	25,340	26,743	29,321	31,532	32,833
Average (mean) family personal income						\$2,663	\$2,810	\$3,037	\$3,008	\$3,121

Percent distribution										
Under \$2,000	15.3	12.0	12.0	12.0	12.1	17.5	15.7	14.4	13.7	12.5
\$2,000-\$2,999	22.2	21.0	21.0	21.0	20.1	20.7	19.1	17.8	17.1	16.0
\$3,000-\$3,999	15.3	10.0	10.2	10.6	10.6	20.2	16.7	10.2	10.0	18.4
\$4,000-\$4,999	8.1	9.1	9.8	10.2	10.9	13.4	14.3	14.8	15.1	15.4
\$5,000-\$5,999	4.0	4.8	5.4	5.7	6.9	8.1	9.2	10.0	10.3	10.8
\$6,000-\$6,999	2.3	2.8	3.2	3.6	4.1	5.8	6.0	7.3	7.8	8.9
\$7,000-\$9,999	1.4	1.7	1.9	2.0	2.9	4.0	5.1	6.7	5.8	8.2
\$10,000-\$14,999	.7	.8	1.0	1.0	1.2	3.1	3.0	3.8	4.0	4.4
\$15,000-\$19,999	.2	.2	.3	.3	.3	1.3	1.4	1.6	1.6	1.6
\$20,000-\$24,999	.1	.1	.1	.1	.7	1.0	.9	.9	.9	7.4
\$25,000-\$49,999	.2	.2	.2	.2	.2	2.3	2.2	2.3	2.4	2.4
\$50,000 and over	.1	.1	.1	.1	.1	2.1	2.3	2.3	2.4	2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

in the \$4,000-\$5,000 class of earnings with the average level for business returns remaining higher. With some irregularity (probably due to estimating procedures) average amounts rise from the minimum in each succeeding class of earnings. But it is interesting to note that the rise is much more pronounced in the case of wage and salary returns which attained an average additional income of about \$18,700 for the \$25,000 and over class. This was achieved despite the overall lower average of other income. For business returns the average of about \$10,400 of additional income reached in the highest earnings class is about 60 percent of that for wage earners.

Other incomes at such high levels contain a large percentage of property income, including capital gains. The fact that business returns show a lower average amount is probably due to the tendency of businessmen to reinvest in their own business rather than to seek investment opportunities which would involve high supplementary incomes. This finding is consistent with the belief, gener-

Table 12.—Distribution of Farm Operator and Nonfarm Families and Their Family Personal Income by Family Personal Income Level, 1955-59

Family personal income (before income taxes)	Farm operator families										Nonfarm families									
	Number of families (thousands)					Aggregate family personal income (millions of dollars)					Number of families (thousands)					Aggregate family personal income (millions of dollars)				
	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
Under \$2,000	1,000	1,508	1,427	1,181	1,254	1,008	1,887	1,703	1,815	1,601	2,347	2,184	2,148	2,552	2,284	2,801	2,612	2,583	3,133	2,888
\$2,000-\$2,999	372	194	111	337	241	2,093	2,831	2,268	2,082	2,101	2,837	2,401	2,969	2,080	2,470	1,327	1,107	1,093	0,820	0,253
\$3,000-\$3,999	772	784	736	691	662	2,680	2,682	2,808	2,498	2,414	5,000	4,525	4,333	3,966	3,616	16,023	15,893	14,573	14,065	12,757
\$4,000-\$4,999	580	630	620	559	517	2,447	2,402	2,300	2,161	2,308	6,018	6,092	5,208	5,130	4,081	27,103	27,090	23,910	23,170	21,030
\$5,000-\$5,999	383	387	386	410	384	2,003	2,110	2,127	2,249	2,157	5,800	5,400	5,271	4,940	5,088	30,507	29,628	28,914	27,125	27,377
\$6,000-\$6,999	329	344	353	419	377	2,232	2,262	2,262	2,354	2,707	6,306	6,001	6,076	5,848	6,710	42,030	44,101	45,073	44,439	48,047
\$7,000-\$9,999	240	248	256	327	277	2,050	2,130	2,189	2,701	2,330	5,825	5,700	5,330	5,493	7,128	41,233	42,890	44,312	44,482	61,407
\$10,000-\$14,999	153	138	164	211	180	1,820	1,820	1,957	2,520	2,140	2,850	3,555	4,044	4,638	5,302	34,325	42,894	48,804	54,351	63,731
\$15,000-\$19,999	42	44	40	64	51	721	753	767	1,078	807	822	1,040	1,215	1,236	1,236	14,064	17,647	20,892	21,053	21,053
\$20,000-\$24,999	18	18	19	25	104	360	410	457	507	2,634	348	402	404	471	471	7,740	8,857	10,317	10,449	71,450
\$25,000-\$49,999	21	21	22	28	004	720	714	714	717	008	410	473	522	538	2,830	12,022	15,032	17,800	17,928	17,928
\$50,000 and over	4	5	5	6	371	367	431	008	008	008	100	124	136	127	127	9,316	10,804	11,531	14,816	14,816
Total	5,867	4,743	4,853	4,743	4,641	22,327	19,852	19,063	21,333	20,248	37,523	38,381	38,014	39,371	40,136	249,012	270,744	288,371	301,300	312,430
Average (mean) family personal income						\$4,017	\$4,016	\$4,111	\$4,038	\$4,063						\$3,039	\$3,054	\$3,352	\$3,301	\$3,735

Percent distribution																				
Under \$2,000	31.5	30.3	29.4	31.9	27.0	10.0	9.0	9.0	9.0	7.0	6.3	6.0	5.5	5.5	4.0	1.2	1.0	0.0	1.1	0.0
\$2,000-\$2,999	10.1	10.0	10.0	10.0	10.0	12.7	11.3	11.3	11.3	10.4	7.0	6.3	6.1	6.1	3.9	2.3	2.1	2.1	2.4	2.0
\$3,000-\$3,999	15.2	15.2	15.1	14.8	14.9	13.4	12.6	11.0	11.9	11.9	13.5	11.8	10.7	10.2	8.0	7.2	5.0	5.1	4.3	4.1
\$4,000-\$4,999	10.7	10.8	10.0	11.8	11.1	12.3	12.0	11.6	11.2	11.4	16.0	15.0	13.7	13.0	11.0	10.0	10.0	8.4	8.0	6.7
\$5,000-\$5,999	7.5	7.8	8.0	8.7	8.5	10.5	10.0	10.7	10.3	10.7	14.6	14.1	13.6	12.6	12.0	10.0	10.1	9.4	8.4	8.0
\$6,000-\$6,999	0.0	0.0	0.0	0.0	0.0	11.2	11.5	11.6	12.6	12.4	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
\$7,000-\$9,999	4.7	5.0	5.2	6.0	6.0	10.0	10.0	11.0	12.7	11.7	12.8	14.0	10.3	10.3	10.0	10.0	10.0	10.0	10.0	10.0
\$10,000-\$14,999	3.0	3.2	3.4	4.4	3.0	0.2	0.3	0.3	11.4	10.6	7.0	8.3	10.4	11.5	12.2	13.6	15.8	17.1	18.7	20.4
\$15,000-\$19,999	.9	.9	.9	1.3	2.0	2.0	2.0	3.0	4.0	4.0	2.2	2.7	3.1	3.3	3.3	6.7	6.0	7.8	7.6	7.6
\$20,000-\$24,999	.4	.4	.4	.5	2.2	2.0	2.1	2.1	2.0	13.0	.0	1.0	1.2	1.2	7.0	3.1	3.3	3.0	2.6	2.6
\$25,000-\$49,999	.4	.4	.4	.0	.0	3.6	3.0	3.0	4.2	1.1	1.1	1.2	1.4	1.4	.0	4.0	4.0	4.2	5.2	5.2
\$50,000 and over	.1	.1	.1	.1	.1	1.0	1.0	2.2	2.5	.3	.3	.3	.4	.4	.3	3.7	3.0	4.1	3.7	3.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1. For data prior to 1953, see discussion on page 10 of April 1953 issue of Survey of Current Business.

Table 13.—Number of Consumer Units and Persons, and Aggregate and Average Family Personal Income, 1955-59

Year	Families and unattached individuals						Families						Unattached individuals		
	Number of consumer units (millions)	Number of persons		Family personal income		Number of families (millions)	Number of persons		Family personal income			Number of unattached individuals (millions)	Family personal income		
		Total (millions)	Average number per consumer unit	Amount (billions of dollars)	Average income		Total (millions)	Average number per family	Amount (billions of dollars)	Per family (dollars)	Per capita (dollars)		Amount (billions of dollars)	Per capita (dollars)	
					Per consumer unit (dollars)										Per capita (dollars)
1955.....	62.2	162.7	2.62	204.3	5,040	1,808	42.7	153.2	5.59	288.9	6,303	1,755	9.5	25.3	2,603
1960.....	62.8	155.8	2.48	217.4	6,007	1,915	44.4	155.8	3.80	290.7	6,706	1,880	9.5	26.8	2,816
1957.....	53.6	109.0	2.03	134.0	2,238	1,060	40.7	150.0	3.64	205.3	5,002	1,220	10.0	20.8	2,037
1958.....	54.6	172.1	2.15	243.3	4,285	1,905	44.1	161.0	3.00	311.7	7,000	1,900	10.5	31.5	3,005
1959.....	55.3	175.1	2.17	245.6	4,411	2,088	44.8	164.5	3.67	332.7	7,430	2,022	10.5	33.0	3,120

ally held, that entrepreneurs find more profitable investment—or necessitous investment—in their own enterprises, and prefer the greater control afforded by self-financing to the use of external funds.

Business earnings distribution modified by other incomes

The second and fourth columns of table 4 present the share of aggregate incomes received by each quintile (fifth) of wage and business earners when ranked by the size of their adjusted gross income, that is, after the combination with other incomes.

Compared with the distributions by size of earnings which are presented in the same table, it is seen that both the wage earner and business income distributions are significantly modified by the inclusion of other income. In the case of the wage earners, both of the two lowest quintiles experienced increased shares of total income, reflecting the considerable augmentation of low wage incomes already referred to in connection with the pattern of other income. Similarly, the highest quintile and upper 5 percent show increased proportions of total income again reflecting the mounting average amounts of other income at the higher levels. These extreme quintiles experienced increases at the expense of the two middle fifths where a low in average additional income was previously noted. The net effect of these changes is a small but significant shift toward a larger dispersion of total income.

The effect on the distribution of business earnings is much more marked. In this case, the lowest three quintiles experienced increases in their shares of

total income. In the lowest, where a relatively large average amount of other income was found, the increase was sufficient to result in a positive income share. As previously noted, this fifth of income recipients supplements its entrepreneurial income with substantial outside wage incomes. Unlike the ef-

fect noted for wage earners, however, the share of the highest quintile and upper 5 percent actually decreased. The net effect of the combination with other sources of income for business returns was, unlike the case for wage earners, a marked movement toward smaller income dispersion.

Table 14.—Distribution of Family Personal Income and Federal Individual Income Tax Liability Among Quintiles and Top 5 Percent of Consumer Units, 1955-59¹

Quintile	Percent distribution of—			Mean amount of—			Tax rate (percent)	Lower income limit of Quintile ²	
	Family personal income	Tax liability	After-tax income	Family personal income (dollars)	Tax liability (dollars)	After-tax income (dollars)		Before-tax basis (dollars)	After-tax basis (dollars)
1955: Lowest.....	4.8	1.4	5.2	1,355	36	1,319	2.9	—	—
2.....	11.3	0.9	11.0	3,200	145	3,055	5.1	2,350	2,350
3.....	18.4	10.9	17.0	4,034	293	3,741	7.3	2,920	2,710
4.....	22.3	18.9	22.7	5,390	530	4,860	8.3	3,370	3,060
Highest.....	45.2	62.8	43.2	12,722	1,729	10,993	13.6	7,410	6,760
Total.....	100.0	100.0	100.0	5,040	638	4,402	8.8	—	—
Top 5 percent.....	20.2	38.2	18.2	22,685	4,217	18,468	18.9	13,870	11,780
1956: Lowest.....	4.8	1.5	5.2	1,437	46	1,391	3.2	—	—
2.....	11.3	0.9	11.0	3,408	188	3,220	5.5	2,540	2,420
3.....	18.4	11.0	16.9	4,886	323	4,563	6.6	3,170	2,920
4.....	22.3	19.0	22.0	5,001	571	4,430	8.5	4,080	3,860
Highest.....	45.3	62.3	43.4	13,004	1,880	11,124	13.8	7,000	7,200
Total.....	100.0	100.0	100.0	5,007	604	4,403	10.0	—	—
Top 5 percent.....	20.2	36.5	18.1	24,310	4,063	19,247	16.7	13,080	12,480
1957: Lowest.....	4.7	1.5	5.0	1,462	48	1,414	3.3	—	—
2.....	11.1	0.9	11.7	3,471	190	3,281	5.5	2,530	2,450
3.....	18.5	11.3	16.9	4,887	360	4,527	7.0	3,280	3,050
4.....	22.4	19.0	22.0	5,061	590	4,471	8.5	4,040	3,770
Highest.....	45.3	62.1	43.0	14,184	1,954	12,230	13.8	8,320	7,000
Total.....	100.0	100.0	100.0	5,290	630	4,660	10.1	—	—
Top 5 percent.....	20.2	36.8	18.1	25,130	4,332	20,798	17.4	14,580	12,000
1958: Lowest.....	4.6	1.4	5.0	1,449	43	1,406	2.9	—	—
2.....	10.9	0.9	11.4	3,430	183	3,247	5.3	2,550	2,430
3.....	18.2	11.2	16.8	5,185	344	4,841	6.6	3,170	2,920
4.....	22.7	19.0	22.0	7,116	584	6,532	8.2	5,010	4,710
Highest.....	43.5	62.4	43.0	14,226	1,922	12,304	13.4	8,530	7,000
Total.....	100.0	100.0	100.0	5,285	635	4,650	9.8	—	—
Top 5 percent.....	20.0	38.7	17.8	24,074	4,762	19,312	19.8	14,720	12,100
1959: Lowest.....	4.5	1.5	4.9	1,502	50	1,452	3.3	—	—
2.....	10.9	0.9	11.4	3,583	209	3,374	5.8	2,650	2,510
3.....	18.2	11.5	16.8	5,307	391	4,916	7.3	3,170	2,920
4.....	22.7	19.0	22.1	7,456	616	6,840	8.0	5,280	4,700
Highest.....	43.7	62.0	43.0	15,108	2,113	13,000	14.0	9,000	7,200
Total.....	100.0	100.0	100.0	5,311	682	4,629	10.2	—	—
Top 5 percent.....	20.0	38.0	17.8	25,325	5,181	20,144	20.7	15,440	12,670

1. Consumer units are ranked by size of family personal income. In addition to April 1958 issue of Survey of Current Business, see table 3 of "Income Distribution in the United States, by Size, 1914-50."

2. Rounded to nearest \$10.

TECHNICAL NOTE

The family personal income distributions in this article were constructed primarily on the basis of data from Federal individual income tax returns and from annual surveys of family income conducted by the Census Bureau. An account of the procedures used to develop the estimates can be found in the technical note to the article on size distributions published in the April 1958 issue of the SURVEY.

In order to permit comparison with selected prewar years, the distributions for 1929 and 1941—given in terms of 1960 dollars—are published in the SURVEY for the first time. It is important to note, however, that the procedures which underlie these distributions differ substantially from those used by OBE and, hence, do not have

the same status as other distributions included in the OBE series. They are the results of various adjustments for comparability made to distributions constructed elsewhere.

An account of some of the procedures used to adjust these distributions can be found in "Size Distribution of Income Since the Mid-Thirties" by Goldsmith et al., published in *The Review of Economics and Statistics*, February 1954 and, by the same author, in "The Relation of Census Income Distribution Statistics to Other Income Data" *Studies in Income and Wealth*, Vol. 23, National Bureau of Economic Research, New York, 1958.

The methods used to estimate the distribution of consumer units by size of family personal income inclusive of capital gains and losses followed rather closely the procedures used to construct

the regular series. One basic difference was the use of the IRS tax return data directly without first adjusting the distributions to exclude statutory gains and losses. Cross tabulations for the separation of tax returns into various categories of family membership groups and combination into family units, which were constructed on the basis of returns exclusive of capital gains and losses, were used for purposes of these approximations without adjustment for change in concept. Use of these cross tabulations resulted in a family distribution inclusive of statutory gains.

The relationship between the distribution exclusive of capital gains and that inclusive of statutory gains was used, with appropriate modification, to adjust the former to include total capital gains.

The estimates of the earnings dis-

Table 15.—Distribution of Federal Individual Income Tax Liability of Consumer Units, Average Tax, Average Income, and Tax Rate, by Family Personal Income Level, 1955-59

Family personal income (before income taxes)	1955					1956					1957				
	Federal individual income tax liability			Average family personal income (dollars)	Tax rate (percent)	Federal individual income tax liability			Average family personal income (dollars)	Tax rate (percent)	Federal individual income tax liability			Average family personal income (dollars)	Tax rate (percent)
	Amount (millions of dollars)	Percent distribution	Average (dollars)			Amount (millions of dollars)	Percent distribution	Average (dollars)			Amount (millions of dollars)	Percent distribution	Average (dollars)		
Under \$1,000.....	204	0.7	25	1,132	2.2	190	0.6	25	1,120	2.2	197	0.6	26	1,123	3.3
\$1,000-\$2,999.....	484	2.4	116	2,513	4.0	466	2.0	121	2,431	4.8	650	1.9	121	2,489	4.8
\$3,000-\$4,999.....	1,367	6.5	359	3,518	5.4	1,323	4.3	356	3,514	5.5	1,277	3.8	357	3,507	5.0
\$5,000-\$9,999.....	2,047	7.1	279	4,500	6.2	2,040	6.0	283	4,402	6.3	1,936	5.7	284	4,499	6.3
\$10,000-\$14,999.....	2,585	8.0	409	5,483	7.5	2,573	8.1	412	5,481	7.5	2,583	7.5	408	5,480	7.5
\$15,000-\$19,999.....	3,983	13.9	675	6,088	8.6	4,147	13.0	676	6,667	8.6	4,271	12.0	680	6,638	8.5
\$20,000-\$24,999.....	4,062	14.1	779	8,547	9.1	4,770	15.0	784	8,483	9.1	5,191	15.4	793	8,578	9.0
\$25,000-\$34,999.....	3,727	13.0	1,215	12,081	10.1	4,800	14.4	1,312	12,837	10.1	5,122	15.2	1,165	12,082	9.9
\$35,000-\$44,999.....	1,944	6.8	2,709	17,139	12.8	2,443	7.7	2,197	17,181	12.8	2,772	8.2	2,167	17,164	12.5
\$45,000-\$54,999.....	1,322	4.5	2,436	22,170	15.8	1,609	4.7	3,404	22,266	15.7	1,601	5.0	3,417	22,244	15.4
\$55,000-\$64,999.....	3,100	11.0	8,997	33,524	20.9	3,487	11.2	7,004	33,630	20.8	3,307	11.4	8,849	33,023	20.4
\$65,000 and over.....	3,005	12.5	31,285	58,053	34.3	4,004	12.3	20,771	83,637	24.7	4,204	12.7	23,143	85,760	34.0
Total.....	20,798	100.0	599	5,640	8.8	31,390	100.0	404	6,087	10.0	33,800	100.0	599	6,238	10.1

Family personal income (before income taxes)	1948					1959				
	Federal individual income tax liability			Average family personal income (dollars)	Tax rate (percent)	Federal individual income tax liability			Average family personal income (dollars)	Tax rate (percent)
	Amount (millions of dollars)	Percent distribution	Average (dollars)			Amount (millions of dollars)	Percent distribution	Average (dollars)		
Under \$2,000.....	187	0.6	24	1,134	2.1	194	0.5	26	1,130	2.3
\$2,000-\$3,999.....	424	1.9	116	2,512	4.4	610	1.7	119	2,586	4.7
\$4,000-\$5,999.....	1,213	3.8	359	3,501	4.4	1,228	3.9	353	3,587	5.5
\$6,000-\$9,999.....	1,560	5.5	274	4,501	6.1	1,327	4.8	289	4,501	6.4
\$10,000-\$14,999.....	2,330	6.9	391	5,461	7.1	2,484	6.0	407	5,495	7.4
\$15,000-\$19,999.....	4,038	12.0	642	6,500	8.1	4,244	11.3	694	6,707	8.4
\$20,000-\$24,999.....	5,183	15.3	731	8,507	8.5	5,788	15.3	757	8,618	8.8
\$25,000-\$34,999.....	5,451	16.3	1,323	11,972	9.4	6,537	17.3	1,163	12,013	9.7
\$35,000-\$44,999.....	2,691	8.8	3,160	17,076	12.6					
\$45,000-\$54,999.....	1,728	5.2	3,415	22,167	15.4					
\$55,000-\$64,999.....	4,031	12.0	8,857	22,311	26.6	14,782	39.2	4,900	35,428	39.8
\$65,000 and over.....	4,078	12.1	29,985	84,832	34.7					
Total.....	37,608	100.0	615	4,285	9.8	37,700	100.0	682	6,611	10.2

tributions were made by applying appropriate formulas for approximating average incomes to each of the brackets in the IRS distributions of tax returns. An account of some of these formulas can be found in the supplement to the SURVEY, "Income Distribution in the United States, by Size, 1944-50," U.S. Government Printing Office, Washington 25, D.C., 1953. The estimates of income other than earnings were derived in a similar manner using IRS cross tabulations relating earnings sources to total adjusted gross income.

Definition of terms

The definitions of families and unattached individuals are those adopted by the Census Bureau. Families are units of two or more persons related by blood, marriage, or adoption and

residing together. Unattached individuals are persons not living in institutions or with relatives. The total number of families and unattached individuals is estimated as of the end of the year, and, together, are referred to as consumer units.

Farm operator families are those who operate farms as defined by the Census of Agriculture. The nonfarm group includes all multiperson units other than farm operator families.

Apart from some adjustments to remove income received by institutional residents (including military personnel not living with their families) or retained by nonprofit institutions, private trust, pension and welfare funds, the concept of family personal income is identical to that of personal income in the national income accounts. The latter includes income from all

sources, including wage and salary receipts (net of social insurance contributions), other labor income, proprietors' and rental income, dividends, personal interest income, and transfer payments. Also included are certain nonmoney items such as wages in kind, the value of food and fuel produced and consumed on farms, the net imputed rental value of owner-occupied homes, and imputed interest.

Aggregate Federal individual income tax liability is defined as the total liability reported on individual income tax returns, plus an estimate for amounts uncovered by subsequent audit, minus the liability of military personnel not living with their families, and minus liability on net capital gain.

For a full discussion of these concepts the reader is referred to the above mentioned supplement to the SURVEY.

Table 16.—Distribution of Consumer Units and of Family Personal Income After Federal Individual Income Tax Liability, by Level of After-Tax Income, 1955-59

Family personal income after Federal individual income tax liability	1955					1956					1957				
	Number of families and unattached individuals (thousands)	After-tax family personal income		Percent distribution		Number of families and unattached individuals (thousands)	After-tax family personal income		Percent distribution		Number of families and unattached individuals (thousands)	After-tax family personal income		Percent distribution	
		Aggregate (millions of dollars)	Average (dollars)	Number	After-tax income		Aggregate (millions of dollars)	Average (dollars)	Number	After-tax income		Aggregate (millions of dollars)	Average (dollars)	Number	After-tax income
Under \$2,000	8,788	10,110	1,158	16.8	8.8	8,212	9,459	1,152	16.6	8.3	8,181	9,334	1,148	15.2	8.1
\$2,000-\$3,999	8,610	18,401	2,138	12.6	0.2	8,584	18,070	2,104	11.3	6.3	8,039	14,064	1,750	11.1	5.6
\$4,000-\$5,999	7,993	28,830	3,608	14.2	30.5	7,681	29,080	3,788	14.4	0.3	7,185	28,907	4,028	13.4	8.4
\$6,000-\$7,999	8,107	36,896	4,550	15.7	18.0	8,152	39,037	4,788	16.4	12.8	7,049	34,431	4,892	14.3	11.4
\$8,000-\$9,999	6,894	36,065	5,232	12.8	12.8	6,780	37,285	5,498	12.8	13.1	6,869	37,731	5,494	12.8	12.5
\$10,000-\$11,999	6,050	40,275	6,657	11.6	15.2	6,378	42,832	6,718	12.1	14.0	6,831	45,685	6,683	12.7	16.2
\$12,000 and over	4,032	34,303	8,506	7.7	12.9	4,032	41,900	10,390	9.2	14.7	6,443	47,306	7,341	10.3	18.7
\$30,000-\$44,999	2,580	80,836	31,300	5.0	11.8	2,905	88,176	30,353	6.1	13.4	3,075	98,780	32,134	8.8	14.8
\$45,000-\$59,999	729	12,437	17,061	1.4	4.7	885	18,826	21,272	1.7	5.8	1,023	17,392	17,001	1.9	3.8
\$60,000 and over	618	19,038	30,791	1.2	7.4	714	22,673	31,768	1.3	7.9	797	26,184	32,853	1.6	8.3
Total	52,178	285,539	5,498	100.0	100.0	52,850	285,638	5,493	100.0	100.0	53,056	284,517	5,368	100.0	100.0

Family personal income after Federal individual income tax liability	1958					1959				
	Number of families and unattached individuals (thousands)	After-tax family personal income		Percent distribution		Number of families and unattached individuals (thousands)	After-tax family personal income		Percent distribution	
		Aggregate (millions of dollars)	Average (dollars)	Number	After-tax income		Aggregate (millions of dollars)	Average (dollars)	Number	After-tax income
Under \$2,000	8,203	9,647	1,175	16.3	3.1	8,191	8,380	1,155	14.7	2.8
\$2,000-\$3,999	8,295	18,881	2,278	11.5	8.1	8,987	18,046	2,008	10.8	4.6
\$4,000-\$5,999	7,038	24,781	3,522	12.5	10.8	6,084	22,433	3,688	12.1	7.1
\$6,000-\$7,999	7,439	33,488	4,501	13.6	10.8	7,070	31,840	4,500	12.8	8.7
\$8,000-\$9,999	6,615	36,830	5,567	12.1	11.7	6,089	36,718	6,030	12.1	11.2
\$10,000-\$11,999	6,791	45,379	6,682	12.6	14.7	7,184	48,102	6,698	12.9	14.7
\$12,000 and over	6,046	51,704	8,553	11.1	19.7	6,637	50,905	7,670	12.0	17.1
\$30,000-\$44,999	4,180	49,601	11,860	7.8	19.0	4,798	68,912	14,363	8.6	17.3
\$45,000-\$59,999	1,052	17,703	16,828	1.9	4.7	1,159	19,791	17,067	2.9	16.2
\$60,000 and over	812	24,272	29,781	1.6	8.2	812	24,272	29,781	1.6	8.3
Total	54,020	287,686	5,328	100.0	100.0	55,380	227,867	4,116	100.0	100.0